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WELCOA'S ONLINE FINANCIAL BULLETIN

10 Essential Steps To Financial Wellness

By Jeff Rubleski, MBA

1 Live beneath your means—This is the first rule to establishing financial independence. Living by this rule will allow you to reach your financial goals faster, and with a lot less stress.

2 Pay off your credit cards—Credit cards are usually the most expensive form of debt. Commit yourself to always paying more than the minimum required on your credit card. You'll save incredible sums of cash by paying off credit card balances.

3 Pay yourself first—By making yourself the first "creditor" paid, you'll develop solid saving habits that will help you reach your long-term goals.

4 Save six months living expenses—It's critical to have a "rainy day" fund. For most people, six months of living expenses will provide an adequate cushion to weather most unexpected financial storms.

5 Make a will—This is an essential step for all adults, especially those with dependents.

6 Seek wise counsel—Don't try to go it alone when making tough financial decisions. Consider the services of a fee-only financial planner. A top-notch financial planner can help you to establish a lifelong financial plan.

7 Fund company-sponsored savings plans to the maximum—Through payroll deduction and often tax-deductible contributions, you can accumulate significant savings in company-sponsored plans.

8 Plan major expenditures—If a house, new car, college education, or other large purchase is in your future, take the time to make a plan to reach your desired goal. A little planning goes a long way.

9 Educate yourself—Read financial publications and consider taking a course on basic financial management or investing. Community colleges often offer excellent courses on personal finance topics.

10 Review progress—Every year, list the value of what you own and what you owe. The difference between the two numbers is your financial net worth. Save this list, date it, and compare it to your current year's progress. You'll be amazed at how much difference a year makes in your finances.

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Mastering Your Debt

By Jeff Rubleski, MBA

If there's one thing Americans like to do, it's spend—other people's money, that is. In 2002, we charged more than $750 billion with our credit cards. And according to ***cnnmoney.com***, the average cardholder's balance was $8,940—up 173% from 1992. Is this bad? In many cases, yes. Many of us can't keep up with our debt—the American Bankruptcy Institute reported that in 2004 over 1.6 million people filed for bankruptcy.

Steps To Deal With Debt

While it's nearly impossible to go through life without some sort of debt, if you can't keep up with your bills or are living paycheck to paycheck, you might be in over your head. But don't panic just yet—there are steps you can take to regain your financial health.

Budget. Create a spending plan and most importantly, stick to it. Get into the habit of balancing your checkbook, and paying your bills on the same day every week—routines like these will help keep you on track.

Check your interest. Money in a savings account generally earns much less interest than credit cards or loans. So, if you have money in savings, withdraw it to pay for higher interest loans or credit cards.

Downsize. Reduce unnecessary spending. Cut down on the amount you eat out. Buy generic products instead of pricier brand names. Consider carpooling to and from work.

Get counseling. If you still can't manage to pay your debts, you might need professional help. But be cautious of organizations that ask for a large sum of money up front to help you. Refer to the Better Business Bureau at ***www.bbb.org*** to check an organization's reputation.

Source: cnnmoney.com, abiworld.org, and U.S. News.

Debt/Income:
A Ratio To Know

Your debt-to-income ratio is your liabilities (what you owe) divided by your assets (your income and what you own). Knowing your ratio helps you get an idea of where you stand financially. It is also a good indicator of whether or not you can carry a certain amount of debt from month to month.

Liabilities

Monthly mortgage or rent: ______
+
Monthly CC payments: ______
+
Other loan obligations: ______
=
A. Total monthly payments: ______

Assets

Yearly salary: ______
+
Bonuses & overtime: ______
+
Other income: ______
=
B. Total assets: ______

A divided by B = your ratio

The table below should give you a good idea of your ratio.

A debt-to-income ratio of 36% or less is considered to be a healthy debt load to carry for most people. A ratio above 50% is a good indicator that you need to get professional help to reduce your debt.

Source: U.S. News.

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